

Message Text

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70

ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 IO-15 ISO-00 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01

PRS-01 SPC-03 SS-15 USIA-15 ACDA-19 AGR-20 AID-20

EB-11 CIEP-02 TRSE-00 STR-08 OMB-01 CEA-02 COME-00

FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 OIC-04 AF-10

ARA-16 INT-08 TAR-02 DRC-01 /285 W

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INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BELGRADE

AMEMBASSY BERN

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AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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AMEMBASSY LISBON

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AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS UNN

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AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: EAGR, OECD

SUBJECT: 50TH SESSION OF OECD COMMITTEE FOR AGRICULTURE, SEPTEMBER 27-28, 1973 - "THE ANIMAL FEED MARKET"

1. SUMMARY:

A. THE MEETING WAS CHAIRED BY MR. ESTERUELAS OF SPAIN BECAUSE THE PERMANENT CHAIRMAN, MR. KRISTENSEN OF DENMARK, COULD NOT ATTEND. THE CHAIRMAN KEPT DISCUSSION GEARED TO THE EIGHT SETS OF "PROPOSED TOPICS FOR DISCUSSION" CONTAINED IN AGR(73)33 DATED 3 SEPTEMBER 1973. THE SESSIONS WERE WELL ATTENDED AND DISCUSSIONS WERE LIVELY, CENTERING HEAVILY UPON SITUATIONS AND OUTLOOK IN THE U.S. THE U.S. DELEGATION EMPHASIZED RECORD U.S. PRODUCTION OF CEREALS AND OILSEEDS AND THE ABILITY TO PRODUCE MORE IN RESPONSE TO DEMAND PLUS ALSO THE OPENNESS OF U.S. MARKETS TO FOREIGN CUSTOMERS.

B. STATEMENTS BY EC COMMISSION AND FRENCH DELEGATES APPEARED DESIGNED TO CREATE A FAVORABLE BACKGROUND FOR DEVELOPMENT OF A SOYBEAN CAP IN THE COMMUNITY. JAPAN, ON THE OTHER HAND, CALLED FOR STABILITY OF SUPPLIES AND PRICES, REFERRING TO THE "HIGH PRICE OF WHEAT" AND PREVIOUS EXPORT CONTROLS ON OILSEEDS AND PRODUCTS. THE MEETING PRODUCED NO MAJOR SURPRISES AND THE ADOPTED REPORT (WILL FOLLOW BY SEPTTEL) IS GENERALLY FACTUAL CONTAINING A MINIMUM OF POLICY PROPOSALS. END SUMMARY.

2. THERE WAS RELATIVELY LITTLE DISCUSSION REGARDING WHEAT OR FEEDGRAINS PER SE. MAXIMUM ATTENTION WAS CONCENTRATED ON PROTEINS (SOYBEANS IN PARTICULAR AND THEIR INTERRELATIONSHIPS WITH CEREALS AND OTHER FEEDING-STUFFS) ALTHOUGH IT WAS RECOGNIZED THAT SOYBEAN SUPPLIES FOR THE 1973-74 SEASON "SHOULD BE ADEQUATE".

3. IN DISCUSSING PROTEINS, COMMUNITY REPRESENTATIVES GAVE NO INDICATION OF FUTURE IMPORT NEEDS OR PROGRAMS AND PRICE LEVELS WHICH MIGHT BE UNDER CONSIDERATION IN THE COMMISSION. FOR EXAMPLE,
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THE EC REPRESENTATIVE STATED THAT THE COMMUNITY'S SOYA NEEDS WOULD BE KNOWN AFTER THE COMMISSION TALKS WITH THE COUNCIL. ALSO, THAT "IT IS HARD TO PRODUCE SOYBEANS WITHOUT PRICE SUPPORT WHEN OTHER CROPS ARE SUPPORTED", AND FINALLY "UNTIL THIS YEAR, IT HAD BEEN ASSUMED THAT THE U.S. SUPPLY WAS INEXHAUSTIBLE".

4. THE FRENCH DELEGATION GENERALLY OPPOSED REFERENCES TO GENERAL HIGH LEVELS OF PRODUCTION OF GRAINS AND SOYA IN 1972 IN OECD MEMBER COUNTRIES AND TO POOR CROPS IN RUSSIA BUT DID NOT PRESS THE POINT. THE FRENCH ALSO ARGUED AT LENGTH, HOWEVER, AGAINST ANY ADMISSION (PUSHED HARD BY THE CANADIANS) THAT THE CURRENT PERIOD OF SHORTAGE COULD CHANGE IN THE FUTURE TO SURPLUSES. ONE COULD ONLY SURMISE

THE PURPOSE WAS TO ELIMINATE STATEMENTS FROM THE COMMITTEE REPORT WHICH WOULD INDICATE THE ABNORMALITIES OF LAST YEAR OR THE POSSIBILITY THAT SURPLUSES MIGHT RECUR IN THE FUTURE ON THE PRESUMED ASSUMPTION THAT EITHER ADMISSION WEAKENS THE CAUSE FOR (A) THE EEC'S PROTECTIVE GRAINS POLICY AND (B) A CARED-FOR EC SUPPORT PROGRAM FOR SOYBEANS.

5. AS FURTHER INDICATION OF THE FRENCH VIEWPOINT, THEIR DELEGATE ALSO "DOUBTED" THAT THE BRAZILIAN GOVERNMENT WANTS TO EXPAND SOYBEAN PRODUCTION TO THE DETRIMENT OF OTHER CROPS. SEVERAL OTHER DELEGATES EXPECT A FURTHER CONSIDERABLE INCREASE IN BRAZILIAN PRODUCTION ALTHOUGH SOME QUESTIONED THE EXTENT TO WHICH THE INCREASE WOULD BE EXPORTED, BECAUSE OF INCREASING DOMESTIC REQUIREMENTS.

6. IMPORTERS GENERALLY EXPRESSED INTEREST IN STABILITY OF PRICES AND SUPPLIES. CANADA ALSO HOPES "...TO ATTAIN BOTH STABILITY AND INCREASED PRODUCTION".

7. SOYBEAN STOCKS CAME IN FOR THEIR SHARE OF DISCUSSION WITH THE SECRETARIAT INITIALLY CITING THE DRAWDOWN IN U.S. STOCKS DURING RECENT YEARS AND QUESTIONING WHETHER THIS DRAWDOWN SHOULD NOT HAVE BEEN INTERPRETED AS THE BASIS FOR GREATER PRODUCTION EXPANSION IN THE U.S. THE U.S. DELEGATE RESPONDED BY CITING THE BUILDUP IN CCC STOCKS DURING YEARS OF \$2.50 PRICE SUPPORTS WHEN THE MARKET COULD NOT ABSORB THE PRODUCTION, AND THUS RESULTING IN DECLINING PRICES TO FARMERS DURING THOSE YEARS. THIS WAS CONTRASTED WITH PRICE AND PRODUCTION INCREASES WHICH FOLLOWED DISPOSITION OF LIMITED OFFICIAL USE

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CCC STOCKS AFTER A RETURN TO \$2.25 PRICE SUPPORT LEVELS.

8. MISSION COMMENT: WE BELIEVE THE MEETING WENT REASONABLY WELL FROM THE STANDPOINT OF THE U.S. HOWEVER, IT ALSO SHOWED HOW RELATIVELY LITTLE IS GENERALLY UNDERSTOOD REGARDING SOYBEANS AND SOME OF THE INTERRELATIONSHIPS BETWEEN SOYA AND CORN AND OTHER FEEDSTUFFS, COMPETITIVE FACTORS IN THE CRUSHING INDUSTRY, PROSPECTIVE USE OF SOYA FOR HUMAN FOOD, ETC. IN LOOKING FORWARD TO FUTURE DISCUSSIONS WE WILL NEED TO DEVELOP INFORMATION AND FURTHER POLICY ASSURANCES ALONG THE FOLLOWING LINES: (A) ABILITY TO MEET EXPECTED FUTURE SOYBEAN DEMAND FOR HUMAN FOOD WITHOUT UNDUE EFFECTS ON PROTEIN SUPPLIES FOR FEED; (B) THE U.S. AS A DEPENDABLE SUPPLIER OF BOTH CORN AND SOYBEANS IN RESPONSE TO SOME DELEGATIONS WHICH NOW QUESTION THE U.S. FARMERS' WILLINGNESS TO REDUCE SUFFICIENT BEANS WITH SUPPORT AT \$2.25 COMPARED WITH THE TARGET PRICE OF \$1.38 FOR 1974 CROP CORN IN NEW LEGISLATION; AND (C) SOYBEAN STOCKS AMOUNTS AND WHERE AND BY WHOM THEY SHOULD BE HELD TO GUARD AGAINST EMERGENCY SITUATIONS IN THE FUTURE. THIS LAST POINT MAY BE PARTICULARLY DIFFICULT SINCE MAJOR IMPORTERS WILL CONTEND THAT PREDOMINANT SUPPLIERS SUCH AS THE U.S. ALSO

SHOULD HAVE EMERGENCY STOCKS TO MEET NEEDS OF TRADITIONAL
CUSTOMERS DURING TIMES OF EMERGENCY. WE FEAR THAT THE MAIN CUSTOMERS,

EUROPE AND JAPAN, ARE TOO ACCUSTOMED TO FIXED PRODUCTION
INCENTIVE PROGRAMS TO FULLY ACCEPT OPEN MARKET FORCES AS
ASSURING THEIR REQUIREMENTS.

9. THE FULL REPORT ADOPTED BY THE COMMITTEE WILL FOLLOW BY SEPTTEL.
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BELGRADE
BERN
BONN
BRUSSELS
CANBERRA

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DUBLIN
HELSINKI
THE HAGUE
LISBON
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